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FM AMEMBASSY RANGOON
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INFO RUCNASE/ASEAN MEMBER COLLECTIVE
RUEHBK/AMEMBASSY BANGKOK 2921
RUEHBJ/AMEMBASSY BEIJING 2284
RUEHBY/AMEMBASSY CANBERRA 2013
RUEHKA/AMEMBASSY DHAKA 5206
RUEHLO/AMEMBASSY LONDON 2129
RUEHNE/AMEMBASSY NEW DELHI 5488
RUEHUL/AMEMBASSY SEOUL 9084
RUEHTC/AMEMBASSY THE HAGUE 0760
RUEHKO/AMEMBASSY TOKYO 6660
RUEHCN/AMCONSUL CHENGDU 1796
RUEHCHI/AMCONSUL CHIANG MAI 2174
RUEHCI/AMCONSUL KOLKATA 0644
RHHMUNA/CDR USPACOM HONOLULU HI
RUEKJCS/JOINT STAFF WASHDC
RUCNDT/USMISSION USUN NEW YORK 2464
RUEHGV/USMISSION GENEVA 4471
RUEATRS/DEPT OF TREASURY WASHDC
RUEKJCS/DIA WASHDC
RUEAIIA/CIA WASHDC
RHEHNSC/NSC WASHDC
RUEKJCS/SECDEF WASHDC

C O N F I D E N T I A L SECTION 01 OF 03 RANGOON 000330

SIPDIS

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E.O. 12958: DECL: 06/04/2019
TAGS: [ECON](#) [EFIN](#) [PINR](#) [PREL](#) [BM](#)
SUBJECT: BURMA: TAY ZA REPORTEDLY FALLING OUT OF FAVOR, NEW
CRONIES ON THE RISE

REF: A. 07 RANGOON 1107
[1](#)B. 08 RANGOON 741
[1](#)C. 08 RANGOON 699

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Classified By: Economic Officer Samantha A. Carl-Yoder for Reasons 1.4
(b and d).

Summary

[1](#)1. (C) Tay Za, long a favored crony of Than Shwe, allegedly is falling out of favor due to his companies' inability to meet the demands of senior generals. In recent months, his bid to purchase a new A320 plane for his domestic airline fell through, he was unable to fulfill his contract with the GOB to construct the new Parliament and Presidential Palace in Nay Pyi Taw, and he is rumored to be deeply in debt. General Thura Shwe Mann told businessmen that Tay Za's notorious personal behavior draws negative international attention to the regime. Economic contacts speculate that as Tay Za's star is falling, up-and-coming cronies are currying favor with the senior generals. In an effort to secure his position as top crony and ensure access to GOB leaders, Tay Za reportedly plans to run for office in the 2010 elections. End Summary.

Tay Za on the Outs?

[1](#)2. (C) Over the past five years, Tay Za has secured his position as the regime's top crony, cultivating relationships with the senior generals, particularly Than Shwe. Regime

officials often turned to Tay Za for hotel and airline freebies or capital for the regime's infrastructure projects. He also became the regime's key broker, negotiating with investors from China and Russia on a number of different public and private projects. In return, Tay Za obtained lucrative construction contracts, valuable import permits, and access to the regime. According to local businessman George Soon, owner of Regent Air and investor in Myanmar Airways International (MAI), senior leaders (other than Than Shwe) are becoming disenchanted with Tay Za. Soon noted that General Thura Shwe Mann, number three in the SPDC, recently commented to several high-ranking businessmen that Tay Za is a liability because his notoriously conspicuous consumption has drawn international scrutiny and reflects "poorly" on the regime. Consequently, according to Soon, both Thura Shwe Mann and Vice Senior General Maung Aye are favoring other cronies, including Aung Thet Mann, Nay Aung (son of Ministry of Industry-1), and Zaw Zaw (Refs A and B), for new projects and licenses in return for their "assistance."

Failed Business Opportunities

13. (C) During the past six months, several of Tay Za's companies have reportedly experienced financial and operational difficulties. According to MAI General Manager Aung Gyi, Tay Za in January failed in his attempt to purchase from a Dubai company a new A320 plane so Air Bagan could resume international flights. The Dubai company canceled the sale because Air Bagan is sanctioned by both the EU and the U.S., Aung Gyi told us. In late May, Tay Za approached Soon, requesting MAI to purchase the plane and "donate" it to Air

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Bagan. Tay Za threatened to use his connections to cancel MAI's flight permissions if Soon refused. MAI management denied the request and instead signed its own contract for a new plane.

14. (C) Tay Za's Htoo Construction Company continues to face financial difficulties and is unable to complete many of its contracts, Zamil Steel Country Manager Wael Elmawie reported. Indeed, Htoo Construction, which the regime chose to build the huge new Parliament and Presidential Palace in Nay Pyi Taw, reportedly lost those contracts due to its inability to complete work on time, Elmawie told us. Tay Za still owes Elmawie and several others more than USD 5 million for materials for the Nay Pyi Taw projects, such as steel, concrete, and machine parts. Elmawie added that several construction companies reported Htoo Construction's contract delinquencies to the Minister of Construction, who pledged to look into the matter.

New Cronies Gaining Power

15. (C) Economic contacts confirm that several lower-profile cronies continue to strategize on ways to take Tay Za down. Trader Anwar Hussein (who is friends with Aung Thet Mann) told us that Aung Thet Mann recently became Vice Chairman of Tay Za's Htoo Group of Companies, allegedly on the order of his father General Thura Shwe Mann. Aung Thet Mann already manages Tay Zaw's Aye Yar Shwe Wa company, one of the most successful rice trading firms in Burma, and is looking to step out from Tay Za's shadow, Hussein explained. By the end of 2009, Aung Thet Mann plans to open a new trading company, Golden Link. Hussein noted that Aung Thet Mann plans to use his father's position and influence to ensure that his new company dominates Burma's trade sector.

16. (C) Elmawie told us that regime crony Nay Aung, son of the Minister of Industry-1 and owner of IGE Co. Ltd. with operations in the natural gas, agricultural, and timber sectors, is siphoning off business from Tay Za's Htoo Wood Products (Refs B and C), earning a more dominant position in Burma's timber trade. ZawZaw, an up-and-coming crony who is

close to Than Shwe's grandson, also continues to curry favor with the regime. As owner of one of Burma's new soccer teams, Zaw Zaw gave Than Shwe's grandson a starting position on the team, MAI's Soon told us. In return, Zaw Zaw's company, Max Myanmar, received several new construction contracts, including completing work on the Rangoon-Nay Pyi Taw highway. Max Myanmar is also working with Steven Law's Asia World to finish construction of the new Parliament and Presidential Palace in Nay Pyi Taw, after Tay Za lost those contracts.

Running for Office

17. (C) Maung Maung Lay, Secretary of the Myanmar Chamber of Commerce, confirmed rumors that Tay Za will run for office in the 2010 elections. Air Bagan General Manager Aung San told us that, although Tay Za is resident in Rangoon, he will run for office in Bogalay, Irrawaddy Division. After Cyclone Nargis, the regime assigned Tay Za responsibility for rebuilding the Bogalay area, so he is well-known in the region. When asked why Tay Za is running for office, Maung

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Maung Lay commented that it was at the Than Shwe's request. Maung Maung Lay surmised that Tay Za also wants to ensure his access to those in power as a Parliamentarian.

Comment

18. (C) The business community is rife with rumors about Tay Za's alleged downfall, and we have seen evidence of lower-profile cronies attempting to curry favor with SPDC leaders to secure lucrative contracts that Tay Za would normally receive. We hear from some sources that Tay Za remains Than Shwe's favorite, and Tay Za will likely do what he can to retain that position. So far, Tay Za is the only regime crony who has plans to run in the 2010 elections, but as the vote nears, we expect other top businessmen to do what they can -- which for some will likely mean running for office -- to protect their influence and position with GOB leaders.

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